

**Charter School Facilities Program
Proposition 51 Funding Round
Staff Summary Report – January 2018**

Applicant/Obligor:	Aspire Public Schools
Project School:	Aspire Berkley Maynard Academy
CDS (County – District – School) Code:	01-61259-0109819
School Address/Proposed Site:	6200 San Pablo Ave. Oakland, 94608
Type of Project:	Rehabilitation
Type of Apportionment:	Preliminary Apportionment
County:	Alameda
District in which Project is Located:	Oakland Unified School District
Charter Authorizer:	Oakland Unified School District
Total OPSC Project Cost:*	\$21,350,078
State Apportionment (50% Project Cost):	\$10,675,039
Lump Sum Contribution:	N/A
Total CSFP Financed Amount:	\$10,675,039
Length of CSFP Funding Agreement:	30 years
Assumed Interest Rate:	3.00%
Estimated Annual CSFP Payment:	\$544,633
First Year of Occupancy of New Project:	2021-22

**The amount identified as total project costs represents an estimate provided by the Office of Public School Construction for purposes of Preliminary-Apportionment financial soundness review. Final project costs will be provided at the time of Final Apportionment.*

Staff recommends that the California School Finance Authority (“Authority” or “CSFA”) Board determine that Aspire Public Schools (“CMO” or “APS”) on behalf of Aspire Berkley Maynard Academy (“School” or “Maynard”) is financially sound for the purposes of Charter School Facilities Program (“Program” or “CSFP”) Preliminary/Advance Apportionment. This recommendation, as it relates to Advance Apportionment. This determination as it relates to Preliminary/Advance Apportionment is in place for twelve months and assumes no financial, operational, or legal material findings within this time period. This recommendation is contingent upon Aspire Public Schools, on behalf of Aspire Berkley Maynard Academy, electing to have its CSFP payments intercepted at the state-level, pursuant to Sections 17199.4 and 17078.57(a)(1)(A) of the Education Code. Staff recommends that the Authority Board direct staff to notify the Office of Public School Construction (“OPSC”) and the State Allocation Board regarding this determination.

Application Highlights: Below staff has highlighted key criteria that were evaluated when conducting its financial soundness review of APS on behalf of Maynard. Detailed information is contained in the body of the report.

Criteria	Comments
Obligor Information	
Demographic Information	Aspire Public Schools currently serves 16,652 students in grades K-8. Enrollment in 2018-19 is expected to be 17,520 students. ADA rates are projected to be 95.8%, which staff find reasonable. For 2017-18, the unduplicated pupil count of at Aspire Public Schools as a percentage of ADA is 81.9%.
Debt Service Coverage	Aspire Public Schools will not provide a lump sum payment but will provide the local matching share through a long-term lease funding agreement. Aspire Public Schools' DSC is 176.3% and 161.3% for 2022-23 and 2023-24 respectively. Staff's determination includes the 4 additional CSFP projects mentioned above.
Other Financial Factors	<ul style="list-style-type: none"> • Aspire Public Schools' operating fund has a projected balance of \$95,968,561 as of the end of 2017-18. • Aspire Public Schools' expected annual total of CSFP payments of \$1,848,871 is only 0.75% of projected operating revenue on average.
School Information	
Eligibility Criteria	Aspire Berkley Maynard has met all eligibility criteria: (1) Aspire Berkley Maynard began operation in 2005; (2) Aspire Berkley Maynard's charter was approved in July 2015 and is in place through June 2020; (3) Aspire Berkley Maynard is in good standing with its chartering authority, and in compliance with the terms of its charter.
Student Performance	Aspire Berkley Maynard has performed comparably or better than its authorizing district and local public elementary school. Aspire Berkley Maynard did not perform as well as the closest charter school in the district, but serve a much higher-need demographic.
Demographic Information	Aspire Berkley Maynard currently serves 559 students in grades K-8. Enrollment in 2018-19 is expected to be 168 students. ADA rates are projected to be 95.5%, which staff find reasonable. For 2017-18, the unduplicated pupil count of at Aspire Berkley Maynard as a percentage of ADA is 80.9%

Program Eligibility: On October 6, 2017, at CSFA staff's request, verification was received from Oakland Unified School District confirming that Maynard is: (1) in compliance with the terms of its charter agreements, and (2) in good standing with its chartering authority. Maynard's current charter is effective through June 2022.

Legal Status Questionnaire: Staff reviewed the applicant's responses to the questions contained in the Legal Status portion of the application. No information was disclosed that would lead staff to question the financial or legal integrity of this applicant.

Project Description: APS is applying on behalf of Maynard for rehabilitation of its campus. The estimated project scope included rehabilitating the school's current site to improve the

learning conditions and to serve a projected enrollment of 586 students in 24 permanent classrooms located in the main building. This also included ADA upgrades to all bathrooms and water fountains, repair broken plumbing lines, replace leaking roof, provide energy efficient windows, patch stucco and dry rot in wood facade, remove old playground, repave blacktop, and repair the kitchen.

Obligor Organizational Information: APS began in 1998 under the origination/leadership of public school educator Don Shavley and Silicon Valley entrepreneur Reed Hastings (founder of Netflix), with the intention of opening schools in low-income neighborhoods and preparing the students from those neighborhoods for college. The Aspire system now serves over 15,000 students at 40 schools in California and Tennessee. APS serves three primary geographical regions in California, the Bay Area, Central Valley and Los Angeles, specifically targeting low-income cities in those areas, including Oakland, East Palo Alto, Huntington Park and Stockton.

The primary mission of APS is to prepare students in lower income and underserved cities and neighborhoods for college. Maynard, located in a working class section of Oakland, is no exception. Maynard targets the following students: students who are not currently successful in their core academic subjects; students whose academic or English language learning needs necessitate a small school environment with personalized attention; students whose academic or English language learning needs are not being met in a traditional school environment; students who live in low-income neighborhoods; and students whose racial and ethnic diversities represent their respective communities (communities where the schools are located).

Presently Aspire's growth mission is focused largely on Memphis, Tennessee, in partnership with that state and Shelby County. Aspire currently has 4 schools in the Memphis area and is planning to grow to 10 total schools. Pending a funding recovery in California, and if quality facility options are available, Aspire would like to expand its network so that all schools in all regions have a full K-12 Aspire option at hand. The Aspire network is run by CEO Carolyn Hack, who fields degrees from Johns Hopkins, Stanford, and Columbia Business School. Their CFO is Delphine Sherman, former VP of Client Services at EdTec, and an advisory board member of the Center for Nonprofit and Public Leadership at UC Berkley's Haas School of Business.

The 2017-18 APS' board members consist of Chair Jonathan Garfinkel and 8 others members, Jim Boyd, Warren Felson, Leslie P. Hume, Beth Hunkapiller, Steven Merrill, Nisa Frank, Kay Hong, Joaquin Torres and Jim Quigley.

School Organizational Information: Maynard is a public charter school located within the boundaries of the Oakland Unified School District and is authorized by the Oakland Unified School District. Maynard's most recent charter was approved by the Oakland Unified School District on July 1 2015 and is active through June 30 2020. The school is a direct-funded independent charter school and is operated by a California public benefit corporation with IRS approved 501(c)(3) status, APS, which oversees 40 public schools in California and Tennessee.

Maynard emphasizes seven C’s in their curriculum: Competence: Identify individual strengths in students’ personalized learning plans, and allow students to make decisions in terms of books they read/projects they do; Confidence: provide students data aligned with their goals, and honor both behavioral and academic student accomplishment at schoolwide events; Connection: create small schools and classes to allow connection between students and adults, and provide conflict resolution training to help students gently resolve conflict; Character: hold Morning Meetings to create climate of trust, and use restorative justice techniques to provide avenues for problem solving and community re-entry; Contribution: educating about the needs of others in the community, and give each student opportunities to contribute to the school community; Coping: utilize a full-time counselor to support students, and provide explicit instruction on managing stress through exercise and nutrition; and Control: students complete self-reflection forms when making poor decisions, and conduct Morning Meetings to address classroom challenges.

Maynard’s principal is Jason Stack, who has held that role for 3 years. Mr. Stack has been 3rd/4th/5th grade teacher, as well as a coach, after school educator and physical education instructor. He is currently finishing his MA at UC Berkley’s Principal Leadership Institute.

The schools is governed by the same Board of Directors as the CMO, consisting of Chair Jonathan Garfinkel and 8 others members, Jim Boyd, Warren Felson, Leslie P. Hume, Beth Hunkapiller, Steven Merrill, Nisa Frank, Kay Hong, Joaquin Torres and Jim Quigley.

School Academic Performance: The following tables represent the 2014-15, 2015-16 and 2016-17 academic performance of Maynard, combined averages of Yu Ming Charter and Anna Yates Elementary (Local Schools), and Oakland Unified (OUSD). The two local schools were selected to cover the same grade span as Maynard. The results are provided through CDE’s CAASPP Smarter Balanced testing data.

English Language Arts – Comparison

	Years		
	2014-15	2015-16	2016-17
Maynard	20%	38%	39%
Local Schools	50%	54%	52%
OUSD	29%	30%	32%

	All Students Performance			Student Groups w/ Below Avg. Performance		
	2014-15	2015-16	2016-17	2014-15	2015-16	2016-17
Maynard	N/A	Average	Low	N/A	1/5	3/5
Local Schools	N/A	Highest; Average	Highest; Low	N/A	0/2; 2/4	0/2; 4/6
OUSD	N/A	Average	Low	N/A	6/11	9/13

Mathematics– Comparison

	Years		
	2014-15	2015-16	2016-17
Maynard	17%	27%	22%
Local Schools	56%	55%	46%
OUSD	23%	25%	26%

	All Students Performance			Student Groups w/ Below Avg. Performance		
	2014-15	2015-16	2016-17	2014-15	2015-16	2016-17
Maynard	N/A	Average	Low	N/A	1/5	5/5
Local Schools	N/A	High; Average	Highest; Low	N/A	0/2; 2/4	0/2; 4/6
OUSD	N/A	Average	Low	N/A	4/11	9/13

Enrollment Trends and Projections: The tables below present enrollment information for APS and Maynard from 2013-14 through 2023-24. The assumptions made in the projected years are considered reasonable by staff and consistent based on historical data.

Student Enrollment and Average Daily Attendance

<u>APS</u>	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
Enrollment	12,948	13,499	14,005	15,902	16,652	17,520	17,831	18,616
ADA	96.7%	96.4%	96.3%	96.0%	95.8%	95.8%	95.8%	95.8%

	2021-22	2022-23	2023-24
Enrollment	19,994	20,115	20,273
ADA	95.8%	95.8%	95.8%

School Student Enrollment and Average Daily Attendance

<u>Maynard</u>	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
Enrollment	561	566	530	519	559	578	582	584
ADA	96.1%	95.2%	96.2%	95.8%	95.5%	95.5%	95.5%	95.4%

	2021-22	2022-23	2023-24
Enrollment	586	586	586
ADA	95.4%	95.4%	95.4%

Financial Analysis:

Financial Data Sources: This financial analysis is based on the consideration and review of the following for APS, the financial obligor and Applicant, on behalf of Maynard: (1) audited

financial statements for 2013-14 through 2016-17; (2) adopted budget for 2017-18; and (3) budget projections for 2018-19 through 2023-24 along with assumptions.

Assumptions: APS’s financial projections are based upon the following assumptions: (1) occupancy of the rehabilitation project in 2021-22; (2) CMO-wide enrollment projections as provided above under “Enrollment Trends and Projections”; (3) Projected CMO-wide ADA rates of at least 95%, which are consistent with historical performance; (4) Local Control Funding Formula (LCFF) per-ADA funding rate of \$8,750 for 2017-18, as included with APS’s adopted budget document for 2017-18, (5) Projected average of 82% unduplicated pupils CMO-wide from 2017-18 through 2023-24.

Long Term Liabilities: As provided by the 2016-17 audited financial statements, APS has \$138,847,411 in long-term debt. The long-term liabilities are from the following: \$102,255,000 payable in general obligation bonds issued through CSFA; \$26,529,051 payable in CSFP project loans (listed below); \$4,923,571 payable in private loans with Charter Fund, Inc. and Boston Community Loan Fund; and \$9,880,932 in unamortized premiums and debt issuance cost. \$7,971,767 is due within one year.

<u>CSFP Project Name</u>	<u>CSFP loan amount (Local Match)</u>
Stockton Charter (Aspire Rosa Parks)	\$4,758,509
Aspire Ollin University Preparatory	\$9,834,913
Aspire Antonio Maria Lugo Academy	\$8,229,438
Aspire ERES Academy	\$3,706,191
Total	<u>\$26,529,051</u>

APS obtained a \$10,000,000 revolving line of credit in October 2014 and modified the line of credit to \$15,000,000 in December 2016. The line had a balance of \$700,000 as of June 30, 2017. The line is secured by school revenue of select schools which are not already secured by other debt.

Private Contributions: Private contributions for APS average about \$5.9 MM from 2013-14 through 2023-24 and averages 3.2% of operating revenues over the same time. The projected amount of private contributions average 3.2% of operating revenues for 2017-18 through 2023-24 which is below the program threshold of 15%.

Benchmark Summary and Analysis: The following table and summary listing sets forth the results of staff’s analysis regarding APS’s financial soundness. Where a threshold has been established based on industry standards or practice, the listing indicates whether or not the threshold was met.

OPERATIONAL, FINANCIAL & STUDENT PERFORMANCE METRICS											
	Actual FY 2014	Actual FY 2015	Actual FY 2016	Actual FY 2017	Projected FY 2018	Projected FY 2019	Projected FY 2020	Projected FY 2021	Projected FY 2022	Projected FY 2023	Projected FY 2024
OPERATIONAL & FINANCIAL											
Enrollment	12,948	13,499	14,005	15,902	16,652	17,520	17,831	18,616	19,994	20,155	20,273
Average Daily Attendance (ADA)	12,525	13,015	13,492	15,270	15,949	16,778	17,075	17,834	19,154	19,308	19,422
Average Daily Attendance (%)	96.7%	96.4%	96.3%	96.0%	95.8%	95.8%	95.8%	95.8%	95.8%	95.8%	95.8%
LCFF Sources/ADA	\$ 6,351	\$ 7,063	\$ 8,729	\$ 8,199	\$ 8,750	\$ 9,217	\$ 9,372	\$ 9,453	\$ 9,606	\$ 9,874	\$ 10,146
% Change		11.2%	23.6%	-6.1%	6.7%	5.3%	1.7%	0.9%	1.6%	2.8%	2.8%
Operating Revenues/ADA	\$ 8,651	\$ 9,846	\$ 11,777	\$ 11,020	\$ 11,449	\$ 11,546	\$ 11,721	\$ 11,980	\$ 12,241	\$ 12,531	\$ 12,828
% Change		13.8%	19.6%	-6.4%	3.9%	0.8%	1.5%	2.2%	2.2%	2.4%	2.4%
Operating Expenses plus CSFP Lease/ADA	\$ 10,613	\$ 11,915	\$ 14,614	\$ 13,765	\$ 13,469	\$ 13,239	\$ 13,307	\$ 13,571	\$ 13,816	\$ 14,170	\$ 14,503
% Change		12.3%	22.7%	-5.8%	-2.2%	-1.7%	0.5%	2.0%	1.8%	2.6%	2.3%
Free Cash Flow/ADA	\$ (1,962)	\$ (2,069)	\$ (2,836)	\$ (2,745)	\$ (2,020)	\$ (1,693)	\$ (1,586)	\$ (1,591)	\$ (1,576)	\$ (1,640)	\$ (1,674)

	Actual FY 2014	Actual FY 2015	Actual FY 2016	Actual FY 2017	Projected FY 2018	Projected FY 2019	Projected FY 2020	Projected FY 2021	Projected FY 2022	Projected FY 2023	Projected FY 2024
DEBT SERVICE COVERAGE											
Total Operating Revenues	\$ 108,353,632	\$ 128,149,675	\$ 158,898,574	\$ 168,275,365	\$ 182,598,066	\$ 193,705,963	\$ 200,125,450	\$ 213,653,307	\$ 234,460,765	\$ 241,946,268	\$ 249,147,657
Total Operating Expenses	132,698,360	154,403,659	196,499,850	209,147,475	213,769,144	221,075,830	226,172,094	240,801,798	263,410,839	271,754,755	279,814,374
Total Other Sources/Uses	42,545,942	46,229,061	46,835,801	39,673,492	26,500,417	22,672,682	22,863,060	23,816,948	25,749,668	26,375,161	26,967,200
Net Income Available for CSFP Lease Payment	18,201,214	19,975,077	9,234,525	(1,198,618)	(4,670,661)	(4,697,185)	(3,183,585)	(3,331,542)	(3,200,406)	(3,433,325)	(3,699,517)
Add Back Capital Outlay	-	-	-	-	-	-	-	-	-	-	-
Add Back Depreciation	4,765,660	5,351,027	6,330,000	6,754,586	6,552,000	6,555,420	6,558,908	6,558,908	6,558,908	6,558,908	6,558,908
Adjusted Net Income Available for CSFP Lease Pymt.	22,966,874	25,326,104	15,564,525	5,555,968	1,881,339	1,858,235	3,375,323	3,227,366	3,358,502	3,125,583	2,859,391
CSFP Lease Payments	231,796	668,683	668,683	1,039,340	1,039,340	1,039,340	1,228,427	1,228,427	1,228,427	1,773,060	1,773,060
Free Cash Flow	\$ 22,735,078	\$ 24,657,421	\$ 14,895,842	\$ 4,516,628	\$ 841,999	\$ 818,895	\$ 2,335,983	\$ 1,998,938	\$ 2,130,075	\$ 1,352,523	\$ 1,086,331
DSC from Adj. Net Income	9908.2%	3787.5%	2327.6%	534.6%	181.0%	178.8%	324.8%	262.7%	273.4%	176.3%	161.3%
DSC from LCFF Sources subject to CSFA Intercept	23080.5%	9649.6%	11743.5%	8281.4%	13427.6%	14879.3%	15397.2%	13724.0%	14978.9%	10753.0%	11113.6%
CSFP Lease Payment/Oper. Revenues	0.2%	0.5%	0.4%	0.6%	0.6%	0.5%	0.5%	0.6%	0.5%	0.7%	0.7%
FUNDRAISING											
Fundraising for Operations	\$ 3,520,253	\$ 3,346,918	\$ 4,539,710	\$ 6,318,506	\$ 9,849,070	\$ 6,675,000	\$ 6,280,894	\$ 6,250,000	\$ 6,250,000	\$ 6,250,000	\$ 6,250,000
Fundraising/Oper. Revenues	3.2%	2.6%	2.9%	3.8%	5.4%	3.4%	3.1%	2.9%	2.7%	2.6%	2.5%
DSC without Fundraising	8389.5%	3286.9%	1648.7%	-73.4%	-766.6%	-463.4%	-279.6%	-246.1%	-235.4%	-176.2%	-191.2%
% of Fundraising Required for 100% DSC	-545.8%	-636.7%	-228.1%	28.5%	91.5%	87.7%	62.8%	68.0%	65.9%	78.4%	82.6%
LIQUIDITY											
Current Assets	\$ 73,838,072	\$ 74,797,789	\$ 83,365,078	\$ 70,935,119							
Current Liabilities	17,328,282	20,312,446	18,673,559	20,158,632							
Net Working Capital	\$ 56,509,790	\$ 54,485,343	\$ 64,691,519	\$ 50,776,487							
Net Working Capital/Oper. Expenses	42.6%	35.3%	32.9%	24.3%							
Unrestricted Cash & Cash Equivalents	\$ 39,390,330	\$ 39,558,131	\$ 49,191,017	\$ 40,680,958							
Unrest. Cash & CE/Oper. Expenses (Days)	108	94	91	71							
Unrest. Cash & CE/All Expenses (Days)	108	93	91	71							

Benchmark Summary:

- Free Cash Flow – Met: \$7,019,826 avg. (>\$0)
- Debt Service Coverage from Adjusted Net Income – Met: 176.3% & 161.3%
- Net Working Capital as Portion of Operating Expenses – Met: 33.8% (>5%)
- Unrestricted Cash & Cash Equivalents as Portion of All Expenses – Met: 91 days (> 90 days)

Strengths, Weaknesses and Mitigants:

- + APS’s DSC from adjusted net income is 176.3% and 161.3% for 2022-23 and 2023-24, the first two years of repayment, respectively.
- + APS’s operating fund balance, as of June 30, 2017, was \$100,639,222 with \$76,056,261 in unrestricted funds.
- +/- APS projects its operating fund performing at a deficit from 2018-19 through 2023-24, but adjusted net income with depreciation and capital outlay considerations is positive for those same years. APS also has an adequate fund balance at the end of each of these years.

Staff Recommendation: Staff recommends that the California School Finance Authority (“Authority” or “CSFA”) Board determine that Aspire Public Schools (“CMO” or “APS”) on

behalf of Aspire Berkley Maynard Academy (“School” or “Maynard”) is financially sound for the purposes of Charter School Facilities Program (“Program” or “CSFP”) Preliminary/Advance Apportionment. This recommendation, as it relates to Advance Apportionment. This determination as it relates to Preliminary/Advance Apportionment is in place for twelve months and assumes no financial, operational, or legal material findings within this time period. This recommendation is contingent upon Aspire Public Schools, on behalf of Aspire Berkley Maynard Academy, electing to have its CSFP payments intercepted at the state-level, pursuant to Sections 17199.4 and 17078.57(a)(1)(A) of the Education Code. Staff recommends that the Authority Board direct staff to notify the Office of Public School Construction (“OPSC”) and the State Allocation Board regarding this determination.